

## subpart n – urban renewal provisions

### 570.800 general

This subpart contains regulations governing the use of funds available under this part for the completion of urban renewal projects and neighborhood development programs; deductions authorized to be made from such funds for the repayment of temporary loans outstanding in connection with such projects and programs; and procedures for the financial settlement of projects and programs meeting the requirements of this subpart. For purposes of this subpart:

- (a) A "project" or "urban renewal project" means an urban renewal project or neighborhood development program being carried out in the jurisdiction of the unit of general local government under a contract with HUD pursuant to the provisions of Title I of the Housing Act of 1949, as amended.
- (b) A "temporary loan" means any outstanding direct loan or pledge of temporary loan rights for private market financing, including accrued interest, authorized under the HUD contract for the project.
- (c) An "unearned grant" means that portion of the total project grant allocation, including any relocation and rehabilitation grant allocation, in excess of the grants payable with respect to the costs incurred and any remaining unliquidated, contingent, or disputed claims or obligations.
- (d) A "surplus grant" means the unearned grant remaining after full repayment of the temporary loans.

### 570.801 payment of the cost of completing a project

(a) Urban renewal projects may be continued under their existing contracts with available project funds.

(b) In addition, units of general local government may use funds made available under this part for payment of the following costs to continue or complete such projects:

1. Payment of the cost of activities approved under the HUD contract for the project with respect to which the budgeted project funds are insufficient, and non cash local grants-in-aid which either
  - (i) were included in a HUD approved urban renewal financing plan dated prior to August 22, 1974, and which are required to effectuate project completion and financial settlement,
  - (ii) Are otherwise eligible under subpart C; provided, however, that funds available under this part shall not be used to pay the cost of local grants-in-aid with respect to which other funds were expended, obligated or otherwise set aside by official action of the unit of general local government prior to approval of the application for the funds under this part. Payment of the cost of noncash local grants-in-aid under this paragraph which are not otherwise eligible under subpart C shall not exceed the

percent of benefit approved in the project financing plan or, with respect to supporting facilities, the 25 percent benefit or \$3,500,000 maximum cost limitation applicable under section 1100d) of Title I of the Housing Act of 1949. The use of funds under this paragraph is not authorized with respect to incomplete project activities or noncash local grants-in-aid remaining after the financial settlement of a project under 570.803(a)(1), except to the extent completion is required by the Secretary to comply with the provisions of 570.803(d)(3) or (4).

2. Repayment of temporary loans.

(c) Funds made available under this part for use pursuant to paragraph (b) of this section shall be identified in the Community Development budget as funds for completion of urban renewal projects and their use shall be governed by the procedures under this part.

1. The unit of general local government may use funds made available under this part to acquire cleared project land from the local public agency for a public use or for subsequent disposition to redevelopers. Such acquisition shall be at the fair use value of the property provided under section 110(c)(4) of Title I of the Housing Act of 1949, as amended, and subject to covenants under the provisions of which:

- (i) The use of the property by the unit of general local government or its assignees shall be in accordance with the applicable urban renewal plan;
- (ii) Any improvements on such property required by the urban renewal plan shall be begun within a reasonable time after the property is: acquired for purposes of redevelopment by the unit of general local government or its assignees.
- (iii) Any proposed reconveyance of such property by the unit of general local government for purposes of redevelopment shall be subject to the public disclosure requirements otherwise applicable to local public agencies in the disposition of project land to redevelopers under section 105(e) of Title I of the Housing Act of 1949, as amended.
- (iv) Discrimination upon the basis of race, color, religion, sex, or national origin, in the sale, lease or rental, or in the use or occupancy of such land or any improvements erected or to be erected thereon shall be prohibited, and the unit of general local government and the United States shall be beneficiaries of and entitled to enforce such covenant.

2. In the subsequent disposition of project land acquired by the unit of general local government pursuant to paragraph (c)(1) of this section, the provisions of section 110(c)(4) of Title I of the Housing Act of 1949, regarding fair use value shall not apply. Any proceeds received by the unit of general local government in the event of such disposition shall be treated as program income in accordance with 570.504;

(d) Use of funds made available under this part for the completion of urban renewal projects shall not increase the maximum loan or grant amount or the requirements for the contribution of local grants-in-aid under the HUD contract for the project. [41 FR 20524, May 18, 1976, as amended at 43 FR 8447, Mar. 1, 1978; 53 FR 8064, Mar. 11, 1988]

## 570.802 repayment of temporary loans

(a) Determination of Federal Government's financial interest. The Secretary will review urban renewal projects in consultation with local public agencies and units of general local government to determine whether the Federal Government's financial interest in such projects will be sufficiently protected. The Secretary may request submission of a local plan for repayment of temporary loans in connection with such determinations.

1. The Federal Government's financial interest in existing urban renewal projects shall be determined to be sufficiently protected if the Secretary finds that all temporary loans made or authorized to be made can be repaid without additional project grants, taking into consideration the costs incurred or to be incurred, the estimated proceeds upon any sale or disposition of property, grants approved under the HUD contract for the project, and any other funds which are to be provided for completion of the projects, including the repayment of temporary loans.
2. In estimating the property disposition proceeds pursuant to paragraph (a)(I), the Secretary will consider the land marketing history of the project, recent appraisals and market studies, the length of time land has been available for sale, comparable sales data, and other generally available data relevant to the value and marketability of remaining land; Provided, however, that with respect to the determinations for Fiscal Years 1976 and 1977, the Secretary shall take into consideration only those proceeds reasonably expected to be paid into the Project Temporary Loan Repayment Account by the end of Fiscal Year 1978 in the event that:
  - (i) The project has unsold land which has been available for at least three years and is not under contract of sale; or
  - (ii) Twenty per centum of the unit of general local government's entitlement grant will be insufficient over a three-year period to provide for any current or anticipated deficit. The Fiscal Year 1978 base year for estimating land proceeds may be waived if the Secretary determines that the Federal financial interest is otherwise sufficiently protected.

(b) Deductions at the initiative of the Secretary. The Secretary may, after consultation with the chief executive of the unit of general local government and the local public agency, deduct up to 20 percent of the funds made available under this part in any fiscal year to the unit of general local government from allocations pursuant to 570.101, for application to the repayment of temporary loans if the Secretary determines that the Federal financial interest will not otherwise be sufficiently protected. In determining the amount to be deducted, the Secretary shall take into consideration the factors considered in making the findings under 570.802(a)(I).

## 570.803 financial settlement of projects

(a) Upon written request of the local public agency carrying out the project, approved by resolution of the governing body of the unit of general local government, the Secretary shall approve a financial settlement of any project subject to the requirements of this section and 570.804, which will result in full repayment of all temporary loans. Up to the full amount of the unearned grant, as well as any additional funds made available for such purpose under the provisions of 570.801(b)(2) may be applied to repayment of the temporary loans so as to effect the financial settlement. Such financial settlements may be approved by the Secretary pursuant to a financing plan revised on the basis of the noncash local grants-in-aid actually provided. Subject to the requirements of paragraph (b) of this section, any surplus grant funds remaining after settlement will be made available to the unit of general local government for use in accordance with the provisions of this part.

The provisions for financial settlement under this section are authorized for any project with respect to the settlement of which one or more of the following conditions apply.

1. All approved project activities (other than the sale of land) for which project funds are available, or noncash local grants-in-aid which would otherwise have been required, will not have been substantially completed prior to the date of the financial settlement;
2. All available project funds have been exhausted prior to completion of the approved project activities;
3. The approved project activities have been completed except for the sale of all project land;
4. The approved project activities have been completed and the settlement will result in a surplus grant.

(b) The release of surplus grant funds may be subject to completion of an audit and satisfaction of any audit exceptions with respect to the project, or any other projects located in the unit of general local government; provided, that the surplus grant funds or other funds available under the provisions of this part shall not be used for payment of ineligible project costs. The Secretary may require the application of surplus grant funds to any of the following purposes as a condition to financial settlement:

1. Activities eligible for funding under 570.801(b) in any other projects located in the unit of general local government for which the Secretary determines insufficient project funds may be available, consisting of:
  - (i) The repayment of temporary loans;
  - (ii) The completion of approved project activities which are deemed essential to protect the Federal interest in housing for which Federal subsidies have been committed or loans or mortgage insurance provided;
  - (iii) The completion of approved project activities which are deemed essential to assure compliance with any applicable low and moderate income housing requirements under sections 105(f) and 105(h) of Title I of the Housing Act of 1949, as amended; and

(iv) The payment of any obligations under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

2. With respect to the settlement of projects authorized under paragraph (a)(I), the completion of any approved project activities or noncash local grants-in-aid which are deemed essential to meet the requirements of paragraphs (e)(3) and (4) and are eligible for funding under 570.801(b).

(c) The financial settlement of a project under this section shall be subject to the environmental review requirements of 24 CFR 58.20.

(d) Prior to financial settlement, the local public agency carrying out the project, and the unit of general local government in which the project is located, must execute a closeout agreement pursuant to the requirements of 570.804(b) (7).

(e) Approval of requests for financial settlement under paragraph (a)(I) of this section shall be subject to the following additional requirements with respect to: Any incomplete approved project activities which would otherwise be continued or completed with available project funds; any noncash local grants-in-aid which would otherwise be provided under the HUD contract for the project; and the use of any surplus grant funds remaining after the settlement:

1. The proposed action must not be plainly inappropriate to meeting the needs and objectives stated in the unit of general local government's Community Development Plan;
2. The proposed action must be subjected to the citizen participation requirements under this part, and must be reviewed by the Urban Renewal Project Area Committee where one exists;
3. Any proposed changes in the scope of renewal treatment must not adversely affect housing for which Federal subsidies have been committed or loans or mortgage insurance provided;
4. Any proposed change in the scope of renewal treatment must not be inconsistent with the satisfaction of any remaining low and moderate income housing requirements under sections 105(f) and 105(h) of Title I of the Housing Act of 1949; as amended;
5. The maintenance of any occupied residential project property owned by the local public agency at the time of the settlement, including such property thereafter transferred for use or disposition to the unit of general local government, with respect to which relocation activities have not been completed, must be consistent with property management standards applicable to the local public agency under urban renewal requirements.

(6) The unit of general local government shall be responsible to assess the effect of the proposed action on any third party obligations under State and local law.

## 570.804 application for approval of financial settlement

Financial settlement will be approved if the Secretary finds that all applicable requirements of 570.803 have been met after completion of the following actions:

(a) Preliminary request. A preliminary request shall be submitted in order to determine what actions will be necessary to comply with the requirements of 570.803. The request shall include a report on the status of project activities, an estimate of the amount of surplus grant funds which may remain after financial settlement, and information regarding the financial status of any other projects in the locality of the unit of general local government. The Secretary will review the request and will advise the applicant whether any approved project activities must be completed or noncash local grants-in-aid provided in order to comply with requirements of 570.803(e)(3) and (4) if the settlement is for a project authorized under 570.803(a)(1), and whether any surplus grant funds will be required to be applied under the provisions of 570.803(b). The applicant may then proceed to prepare a formal application, including performance of any environmental reviews required pursuant to 24 CFR 58.20.

(b) Application for financial settlement and release of surplus funds. The application for financial settlement and release of any surplus funds may be submitted either as a program year amendment described in 570.312 or in conjunction with the unit of general local government's application for funds under this part, submitted in accordance with 570.300(b) or (c), Provided, however, That the review and approval requirements of 570.311(c) shall not apply. A unit of general local government which receives no entitlement amount under subpart B shall submit an original application in accordance with the requirements of 570.300(c). The application shall include:

1. A written request for financial settlement submitted by the local public agency carrying out the project and concurred in by the governing body of the unit of general local government in which the project is located.
2. A description of the steps the applicant has taken to comply with the applicable requirements of 570.803 and any conditions required by BUD pursuant to review of the preliminary request.
3. A statement indicating the extent to which incomplete activities are proposed to be continued or completed after financial settlement of a project under 570.803(a)(1).
4. A Certificate of Completion and Gross and Net Project Costs for the project, with appropriate modifications, reflecting the authority and nature of the settlement under the applicable provisions of 570.803(a), and which includes the cost of any remaining incurred, disputed, contingent and unliquidated relocation or other claims and obligations.
5. A certification that environmental review required of the applicant pursuant to 24 CFR 58.20 has been completed, and that the citizen participation requirements under 570.803(d)(2) have been complied with.
6. A Community Development Program and Budget which identifies the activities to be carried out with any surplus funds or other funds included in the letter of credit for the purpose of liquidating costs identified pursuant to 570.804(b)(4).
7. A closeout agreement for concurrence by the Secretary, executed by the local public agency carrying out the project and by the unit of general local government in which the project is located, under the provisions of which:

(i) All remaining project property owned by the local public agency shall be identified and the proceeds from the sale or lease of such property after financial settlement shall be treated as program income of the unit of general local government under the provisions 570.504; provided, however, that such proceeds may be applied to the reimbursement of any funds of

the unit of general local government, other than funds made available under this part for cash local grants-in-aid required on the basis of incurred net project costs, which were used for the payment of temporary loans for the project. Any remaining project land may be retained for disposition by the local public agency, or transferred to the unit of general local government for use or disposition subject to the covenants specified in 570.801(c)(1)(i), (ii), (iii) and (iv). In the disposition of such land, the provisions of section 110(c)(4) of title I of the Housing Act of 1949, as amended, regarding fair use value shall not apply.

(ii) All low- and moderate-income housing required to be provided due to the demolition or removal of residential structures with project funds, pursuant to section 105(h) of Title I of the Housing Act of 1949, as amended, shall be set forth, and the units actually provided shall be identified as to general location and total number. To the extent such housing has not been provided, it shall be incorporated and identified in the unit of general local government's Housing Assistance Plan, described in 570.306.

(iii) All low- and moderate-income housing requirements with respect to which a predominantly residential project was obligated, pursuant to section 105(f) of the Title I of the Housing Act of 1949, as amended, shall be set forth, and the units actually provided shall be identified as to general location and total number. To the extent such housing has not been provided, it shall be incorporated and identified in the unit of general local government's Housing Assistance Plan. Any change in such remaining housing obligations, or in previously approved land uses affecting the remaining housing obligations, shall require the approval of the Secretary as long as the area remains predominantly residential under the provisions of the applicable urban renewal plan.

(iv) Any costs or obligations incurred in connection with the project with respect to claims which are disputed, contingent, unliquidated or unidentified, and for the payment of which insufficient project funds have been reserved under the financial settlement, shall be borne by the unit of general local government. Such additional expenses may be paid from funds made available under this part.

(v) Provision is made for any special conditions regarding the obligations of the local public agency and the unit of general local government with respect to the requirements of 570.803.

(vi) The obligations under the closeout agreement are made specifically subject to the Program Management requirements of subpart O.

(c) Staged use of surplus funds. If the unit of general local government wishes to stage the use of surplus urban renewal funds over a period of years, it may request the Secretary to make the funds available on a schedule specified by the unit of general local government. In this event, the community development plan summary included in the application or amendment shall specify the total usage of funds, and

the annual Community Development Program and budget submissions shall include only the surplus funds proposed to be used in the program year.